RICHARD RUSSELL'S **DOW THEORY LETTERS, INC.**

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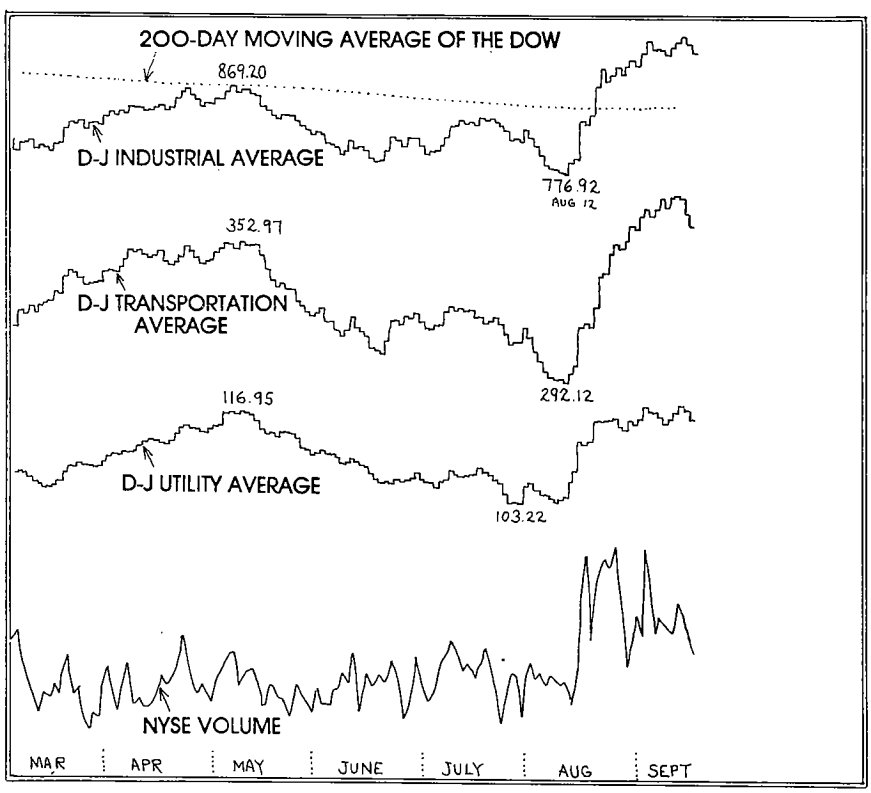
Sept. 10, DJIA 906.82; PTI 1284; A-D Ratio –24.52
Sept. 17, DJIA 916.94; PTI 1296; A-D Ratio –24.11

THE PICTURE: Most market students (as well as professional analysts) spend entirely too much time on the bits and tid-bits of intra-day market action. Every minor fluctuation, every hesitation, every hour-to-hour confirmation and non-confirmation is noted and recorded. By concentrating on the hourly action, the student runs the risk of missing the big picture. As I've stated so many times since this bear market began, the bear has every intention of confusing the investor. The bear will use every trick in his book to make the market look good. Furthermore, it's in the daily and hourly action where the greatest deceptions take place.

And most of the market writers and analysts fall for it. Remember, Wall Street makes its living by selling stocks to the public, and this is a strong argument for a perpetually bullish stance. Furthermore, market letter writers usually fell pressured to write items of interest, and the *daily* action provides writers with the kind of instant fodder they need to keep readers interested. Now in all honesty, I like to keep my readers interested too. But beyond that, I like to KEEP MY SUB–SCRIBERS SOLVENT.

All right, I got that off my chest, so let's turn to a basic concept of Dow Theory. A critical part of the theory concerns itself with what the market does FOLLOWING a secondary correction. For instance, an upward correction began on August 13. In a matter of three weeks the Dow had retraced better than half of the losses sustained during the sixteen month decline from April, 1981 to August, 1982 (a decline of 248 points).



FRONT PAGE COMMENT: Why did the Fed rush to make a huge loan to Mexico in the face of a Mexican default to the banks? Why is the IMF pushing to boost its lending capacities? All you have to know is this–The nine largest US banks loaned Mexico an amount equal to 40% of their capital and reserves. The same nine largest US banks loaned Argentina an amount equal to 25% of their capital and reserves.

Now we come to a paradox. The Dow Theory states that the primary trend is taken to continue in force until PROVED otherwise. Since the trend was last confirmed as bearish, we must assume that the primary bear trend remains in force. But the paradox is that following the completion of a secondary reaction in an ageing bear market, we must also be open-minded.

Here's why. Sooner or later there will be a retracement of the upward correction. It is then that the moment of truth arrives. If the retracement takes the Averages (and I mean *both* Averages) back through their August lows, we have a reconfirmation of the bear market, and a new primary down-leg will be underway. But, if on the retracement, one or both Averages hold above the lows, and a new advance then takes both Averages to new recovery highs–at that point a new bull market will have been signalled.

Question: Russell, what do you really think of the current situation? Give an opinion.

Answer: To my mind, the period around the August 12 lows did not look like a primary bear market bottom. I didn't think there was enough pessimism, I didn't see the usual low volume, I didn't see anyone throwing stocks over willy-nilly, in short, I didn't see any of the signs that I associate with a major bear market bottom.

At the same time I must concede that the market is out to trick us, and that history repeats but never in the same way. So I'm open-minded. Somewhere along the line we are going to see a *full* correction of the rise since August 12. The correction should retrace roughly 1/3 to 2/3s of the August-September rise and it should take two or three weeks or longer. I want to see what happens AFTER that retracement. If, following the retracement the Averages come back and record new highs then I will throw in the towel and say that a new bull market started on August 12. I'll be surprised, I'll probably be flabbergasted, but I won't fight the verdict of the marketplace.

Question: So you're saying that you believe we're in a bear market, but you wouldn't swear to it.

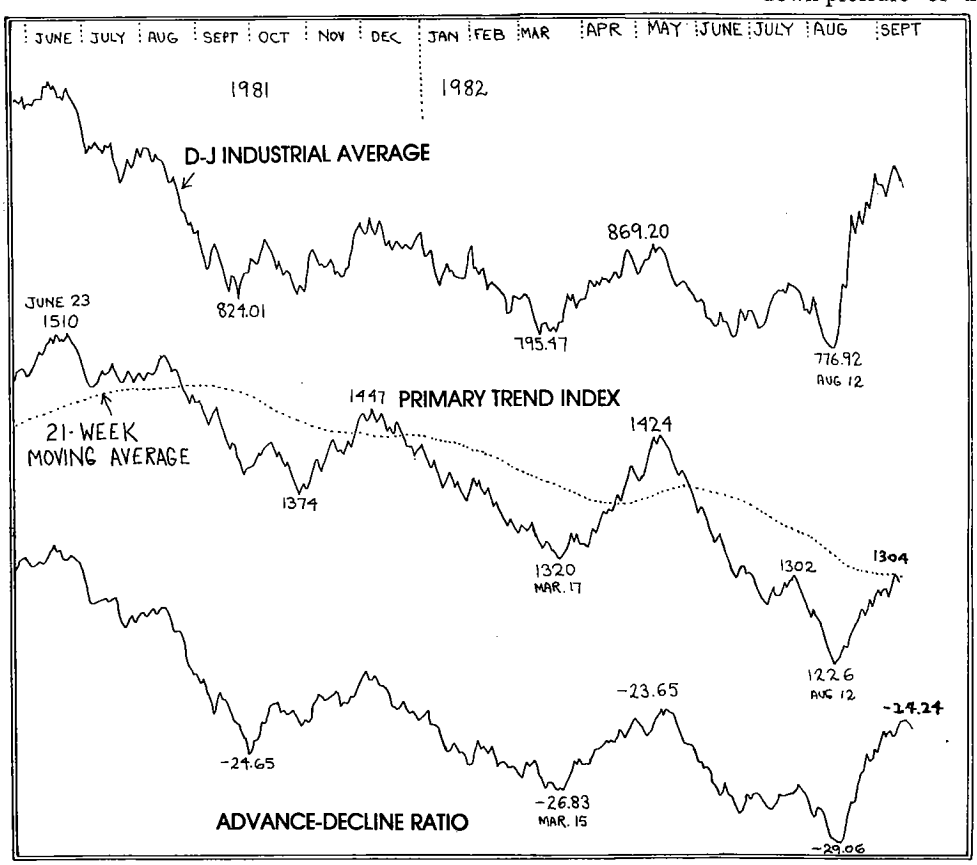
Answer: That's right, I believe the bear market continues, but only an arrogant fool could be positive. When the Averages, following a long bear market decline, take off on the upside, they are in what I term "no-man's land." They are in territory which, in retrospect, may have to be re-classified as the first leg of a new bull market. So on the first rise no one, no man or woman, can know with absolute certainty the direction of the primary trend.

Ironically, it is in this no-man's land that the neophyte analysts and cock-sure letter writers make their most strident boasts and predictions. Veteran analysts are usually quietest in these areas, because they've been there before, and they know that this is the "war zone", the area of ghastly mistakes and costly errors.

Again, I repeat that the time tested concept, the one that has saved many a fortune, is the Dow Theory tenet that states that the trend is taken to remain in force until PROVED otherwise. That is the concept that I have recommended to my subscribers.

If we are indeed in a new bull market, if somehow the tide turned on August 12, we will still be in a new bull market at the point of a primary bull signal somewhere ahead. That should allow plenty of time for buying stocks. But in the absence of a bull signal and in the absence of the standard indications of a new bull market, I continue to counsel caution. I don't need the glory of being the first to "announce" a new bull market. And I don't want to be this year's "cover boy" analyst.

In 24 years of writing these reports I've seen literally hundreds of investment services come and go. Sad to say, only a handful of us have survived. We old-timers may differ on the market at any given time, but we all have one trait in common. We're patient. And we're rather shy about jumping the gun.



NEAR TERM: For the benefit of new subscribers, I should explain that the Primary Trend Index (PTI) is my proprietary composite of market action. It is composed of eight critical averages and indices. The action of the PTI traces the build up or deterioration in the technical understructure of the market.

At the August 12 low, the PTI had dropped a record 96 points below its 21-week moving average (see chart on page 2). This huge gap suggested a correction back towards the moving average. On September 16 the PTI rose to 1304. This was 2 points above the July high of 1302 and slightly above the 21-week moving average.

The intermediate term trend of the PTI is now bullish in that a previous peak (July) has been bettered, and the 21-week moving average has also been bettered. But on a longer-term basis it is notable that the Dow is now far above its May high. By my interpretation, the PTI is telling us that on a trading basis the nearer-term trend is bullish; on a longer-term basis the situation remains dangerous due to the flagrant non-confirmation (disparity) between the Dow and the PTI.

As this is written despite over five weeks of upside action, the Advance-decline ratio is still a fraction below its May peak of minus 23.65. The A-D ratio is a proxy for the entire NYSE, and thus it is clear that the majority of NYSE issues have been unable to keep up with the furious pace of the Dow.

Question: Russell, what about your 233-day cycle? Your cycle turned down at the July high and was supposed to remain down into October. What happened?

Answer: I prefer to guage the cycle from a top-to-top standpoint, and from a bottom-to-bottom standpoint. What happens within the cycle can, and frequently is, deceptive. If I am correct, if the bear phase of the 233-day cycle began at the July high of 833.43 for the Dow, then by October we should see some of the down-pressure of the bear phase of the cycle being reflected in the market. But we're not at October yet, so let's watch and wait to see what happens. Normally, if the cycle is operative, we should see the Dow below 833 sometime in October (Note: the bear cycle started at 833).

Question: I note that the September 6 Time magazine has a large, snorting bull on the cover. What do you make of that?

Answer: As I said in Letter 842, if this is a bull market it is the best advertised bull market in history. As a rule, they don't ring a bell when a new bull market starts. Folklore has it that when any person or event makes the cover of Time, he or it is part of history and he or it is finished. That may be going a bit too far, but I must say that I shook my head when I saw the Time cover. I never knew that Time (interesting magazine that it is) was that adept at calling (or even identifying) major turns in the market.

* *

There have been a few studies seeking to compare the action of breadth since the August 12 low with similar breadth

explosions since WW11. I find this difficult to do, mainly because most previous breadth explosions began from vastly over-sold market lows, whereas the breadth surge from the August 12 low did not begin from a major over-sold bottom.

My own best guess is that the market over the coming weeks or months will retrace half or more of the rise from the August 12 lows–and this retracement will occur even if a bull market did start in August. Of course, if what we have seen is a bear market rally (and I think it was), then within a few months or so the Averages will plunge to new lows.

One curious item: I stated in the last Letter that by my definition (and I got this from James Hughes, the man who developed the original A-D ratio along with Colonel Ayres) a buying stampede is one in which the A-D rises 5 points or more without an intervening 1 point correction. So far, the rise from the August 12 low (dramatic as it was) has failed to take the A-D ratio up a full 5 points. Therefore, the rise does not qualify (despite record volume) as a buying stampede. In many ways, in fact, the action of the market following the August 12 low was unique in the annals of Wall Street. It was, as I see it, a panic by institutions to move cash into the stock market, a panic brought on by a sudden and unexpected drop in interest rates.

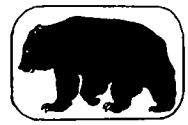
Other aspects of the August-September rally are worth examining. The most important is that the market provided very little technical confirmation for the 155 point rally in the Dow. For instance, although the Dow bettered its December, 1981 high of 892.69 by a wide margin, the A-D ratio did not confirm, the PTI did not confirm, the Dow's own A-D did not confirm, the most-active stock index did not confirm. Daily new highs topped out at 293 on September 3, and this figure has not been bettered even though the Dow has pushed higher ever since.

As far as the major composite averages are concerned, it is of note that although the Dow is well above its 892.69 December high, neither the S & P 500, the NYSE Index nor the Wilshire 5000 has been able to better their own December highs. It's a strange technical background for one of the most explosive Dow rallies in the history of Wall Street.

Also very significant in my judgment: the negative volume index (based on A-D pluralities during declining volume days) failed to provide technical confirmation for the rally. My daily chart shows the negative volume index moving generally sideways during the 149-point Dow explosion. Subscribers may remember that the negative volume index tracks the course of informed money as opposed to uninformed money.

Who comprises uninformed money today? I would equate uninformed money with the institutions, the counter-part of yesterday's odd-lotters. The institutions operate with "someone else's" capital, but their power is immense. It is estimated that institutional transactions comprise 70% of today's trading on the NYSE. It seems clear that it was the power of institutional money that fired the record-volume surge in the market since August 12. It remains to be seen how wise that buying was.

INVESTMENT POSITION: As a rule, big money is made during bull markets. Trading markets, up-and-down markets, emotional "roller coaster" markets–they all tend to leave a trail of losses in their wake.



Nothing has been proved by the violent rally which began on August 12. It may take a few weeks, a month or many months to see what we have on Wall Street, but until we know my inclination is to "cool it." The absolute first rule of investing is retention of capital. To put it another way, keeping your nest egg intact takes precedence over all other activities on Wall Street, and if you don't understand that you're not going to make it in this toughest of all businesses.

Pending classification of this market, I suggest the following mix for your assets: 10 to 15% in gold or gold-related items, 60% in T-bills and the rest in T-notes (maturities of 5-10 years).

THINKING BACK over the past 25 years, I often marvel at the psychological rages that periodically sweep over America. For instance, I remember the "Communist menance" mania that accompanied the McCarthy years. At that time the whole country was paranoid about the Communist menace (which is actually more ominous now than it was in the 1950s). But time passed, and the panic died down. Now if someone mentions a Communist in Washington, he is greeted by yawns.

I well remember the Sputnik panic of 1957. Sputnik was followed by a frenzy to "catch up with Russia" and in a matter of months the US hurled its own satellite into space. Within a few years every kind of space-garbage was roaring skyward. Then the US got to the moon first, and interest died down. By the early to mid-1960s, the space quest ceased to arouse much interest in this country.

More recently, we had the "energy crisis," with leading experts telling us that oil would be "$100 a barrel by the year 2000." Every kind of energy stock was bid up, vast plans for synthetic fuels were started. Then came the "great oil glut," and the panic simmered down. By 1982 plans for synthetic fuels were being phased out, and talk of "$25 oil within a year" was common, along with predictions of a collapse of OPEC.

By the late 1970s a new fear overtook America. It was that the dollar was going to be inflated out of existence. Experts showed how within a matter of a decade, the dollar would be inflated into nothingness and people were exhorted to buy Swiss francs, German marks, gold, silver, anything but get rid of dollars. By 1982 the dollar emerged as the world's strongest currency, and the "collapse of the dollar" scenario was put on the back-burner.

Within the last year the country was frozen by talk of the Russians passing us in military capabilities. The collapse of Western civilization was predicted, and it was feared that the Russians "would rise to dominate the world." Even this latest fear is now phasing out, as leading politicians openly talk of cutting the massive Reagan military budget down to "sane proportions." Has the US actually caught up to Russia, or has Russia stepped down its military plans? Neither, the public has simply lost interest in the issue.

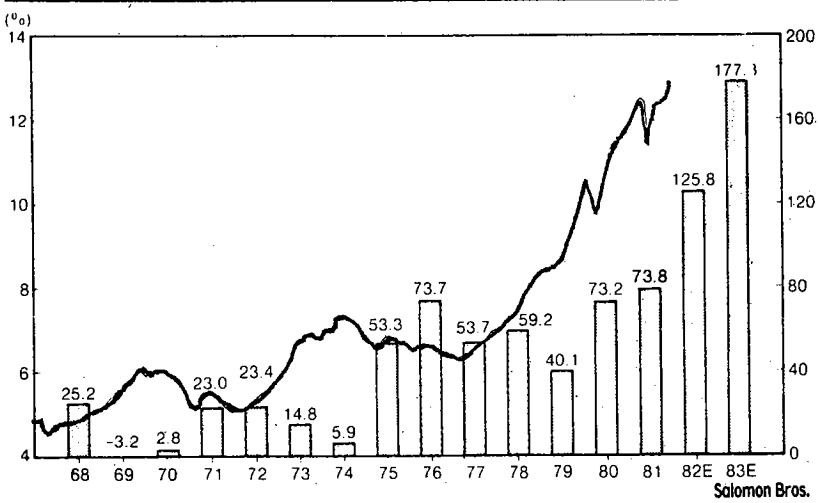
Ah, but there is one issue that ebbs and flows in the public's consciousness. But it's an issue that won't go away. It's the issue that I've been writing about endlessly in these Letters, and of course, what I'm referring to is the rise of debt in the US. I'm a great believer in the logic of mathematics, and I'm a great believer in the fact that 2 plus 2 equals 4. I also believe that the negative power of compounding debt will eventually

prove such an irresistible force that it will take over the markets and bring the nation to its knees.

The problem of debt is a fascinating one, because debt, like heroin, is so pleasant and deadly to use. The US has been on a debt jag for 40 years, and again, like heroin, each injection seems weak compared to the last–until finally the patient is swimming in fixes, and the only remedy is "cold turkey," complete abstinence–or death.

To illustrate, I include this chart showing the Salomon estimate of $177.8 billion in NEW money that will be needed by the US Treasury in 1983 (up 33% from 1982). The dark line is the average interest cost on this debt. No, it won't go away like Sputnik or the oil crisis. The debt is here to stay.

Treasury Financing and the Average Interest Cost of Marketable Debt, Fiscal Years 1968-83 (Dollars in Billions)



HANDLING MONEY: For years I've tried to get over to subscribers the concept of building capital versus speculating. What's the difference between the wealthy investors and the neophyte speculator? The difference is that the wealthy investor DOESN'T NEED THE MARKET. He's got his capital invested in T-bills or bonds or stocks or what have you–and this guy is patient. He's getting a good income, and he's not chaffing at the bit to do anything. Of course, if the right opportunity comes along, the wealthy investor will move–but he's perfectly happy just waiting.

How about the neophyte speculator? This fellow THRIVES ON MARKETS. He over-trades, he is impatient, he dreams of making "the big killing." Ultimately, his over-trading whittles away his cash, and within a year or so he finds that instead of killing the market, the market kills him.

Impatience and the desire to be THE winner can also affect market writers. I follow one service which made three attempts to catch a bottom during 1982. The service showed losses of 7%, 12% and 9% on the three attempts. So, in total, this service left its subscribers with cumulative losses of almost 30%. Then the service jumped in on the August 13 rally, and they now show profits of 20%. Of course the previous three losses don't appear on their performance page any longer, so newer subscribers may be thrilled with their "20% profit so far" record. But older readers probably dumped this service or dropped out of the market altogether.

I've often wondered whether such letter writers follow their own advice. I sincerely doubt it, because if they did they would be borrowing money to continue their publishing. To them, recommendations and "buy advice" are simply part of the game, having little connection with real life. Older subscribers are hurt, newer subscribers are impressed, and the multiple losses never are added up. So it goes in the toughest of all businesses–investing.

NOTES & QUOTES: Diamonds, now grapes: Over the past few years the big "in" tax shelter in these parts was a wine vineyard. But deflation has caught up with the grape. Gallo Bros., whose big volume buying sets major market prices, was paying $1100 a ton for Chardonnay grapes last year. Their bid this fall: $650 a ton–down 40%.

* *

For years I have campaigned to get my subscribers off diets of high fats, high salt and high sugar. I have extolled the virtues of shredded wheat, non-fat milk, chicken, fish, fresh vegetables and fresh fruit. There are any number of excellent books available which detail the low-fat and low sugar and salt way of life. Last week the LA Times ran an article which explained why scientists now think there is a connection between America's high-fat habit and certain kinds of cancer. I include a few excerpts below:

A Historic High

Fats and oils in our diets now provide 42% of the day's calories. It is the highest fat intake of any civilized people in history. It has led to a national weight problem, a national heart problem and a national cancer problem as well.

In 1900, when we used lots of butter and lard and never threw away the roast or bacon drippings, fats and oils provided only 30% of the day's calories. Today, thanks to palm oils, coconut oils and others, fats provide 42% of our calories, and their contribution is climbing.

We like them because they make foods rich, moist, creamy and smooth. Indeed, the only lumps in such a diet seem to come toward the end.

* *

If all goes according to plan, I'll pack three dozen charts and be off to NYC next week. I'll be combining a speaking engagement with a few days of vacation. Therefore, the next Letter will be shorter, probably minus my usual ramblings and musings. I'll be back on Sunday, September 26 to see the San Diego Chargers destroy the Los Angeles Raiders (of course, if the NFL strike is on, I'll probably just sit in my room and sulk).

* *

It isn't easy: last night I figured I'd get some rest prior to starting this Letter. But we had an accident. Little Lauren (age 2) was playing with some dried beans, and somehow, someway, she inhaled a black bean. It was wedged far up her nose. So off to the emergency room of Scripps Clinic went Paula, while I sat

around with Ryan waiting for the word. A few hours later Paula came back with Lauren minus the bean. The doctor had removed it with a clever wire loop. So all is well, and we have survived another incipient disaster (Marty Zweig take note).

In 26 years of kids, I've had them sliced open by exploding Coke bottles, I've had them bloodied by smashes into plate glass windows, I've had them get twigs stuck in their lungs (inhalation), I've had them cut open by sudden stops in cars, I've nursed them through pneumonia, I've, well you get the idea. I must admit that I get a lot less anxious now in the face of emergencies. It's all part of living. But take it from me, five kids is enough!

* *

My doubts about Reagan's abilities are deepening. I think Mr. Reagan is a well-meaning fellow, but I don't think he's outstandingly intelligent, nor do I think he's a very hard worker. Reagan points in the direction that he'd like the nation to go—but he doesn't implement. Moreover, I believe Reagan's information-gathering capabilities are very limited.

For instance, the more I go over the new tax bill the more I see that it is an absurd, red-taped filled, ponderous mess. The bill will cost billions of dollars to implement, and it will drain liquidity from many sectors of the private economy. I honestly don't think Reagan understood half of what is contained in this disastrous bill.

As I see it, this country is in many ways worse off now than it was when Reagan came to office. The original 10-10-10 tax cuts were the wrong kind of tax cuts. These cuts have resulted in meaningless benefits for the populace. In the meantime, corporations, pension plans and liquidity in the private sector have been attacked. The deficits are bigger than ever, and in my opinion the only real plus in the picture in the last few years has been the Fed's stand against inflation (and that stand could be dissolving now).

In the current issue of *Euromoney*, the cover story is entitled, "The Death of Reagonomics." The following paragraphs are interesting excerpts from this article:

> The disillusion has been deepened by the Administration's apparent lack of realism toward the deficit. It has consistently issued much lower projections than others. From $103.9 billion for fiscal 1983, the forecast edged up to $110-114 billion, then to $115 billion in the mid-year review of the economy. But the figures were conceded by the government to be unrealistic as soon as they came out. The Congressional Budget Office meanwhile estimated deficits of between $140 and $160 billion for each of the next three fiscal years. The Administration maintains that the shortfall can be reduced to $58.5 billion by 1987.
>
> Reagan's apparent flippancy on this issue hasn't helped. In July he joined a demonstration in Washington in support of what many politicians and businessmen believe to be a totally misguided constitutional amendment requiring a balanced budget. To charges that he was acting hypocritically since he'd helped to stoke up the biggest budget deficit in history, Reagan's pat response was that it was all the fault of Congress for not passing his programme intact.
>
> It is this simplistic line of thinking that is so exasperating those who see the fruits of the highly successful fight against inflation being dissipated by contradictory government policies. Some link the confusion and contradiction in economic policy with those in foreign policy. In the heat of the presidential campaign, the potential conflicts between supply-siders, gold-standard proponents and monetarists were glossed over. "Reagan came in with attitudes, not policies," argued Sam Nakagama, Kidder, Peabody's economist, "and these were never put through the normal government process. It was a campaign thing."

* *

When a corporation borrows money and at the same time pays a dividend what do you call it? I call it juggling. Here's the latest on GM, as seen by Prescott, Ball and Turben of NYC:

> On the surface, General Motors Corp.'s anticipated earnings of $4 a share this year look good. But an analysis of the company's cash flow tells a different story. GM's projected net earnings and the amount of cash it sets aside for depreciation will amount to *$6.8* billion in 1982. But it will need around *$8.6* billion for its capital expenditures this year and to pay its standard dividends. This means that GM must *borrow* about $1.8 billion to make up for the cash shortfall. So stockholders will be paid from *borrowed* money.

* *

I've said before that I believe the 1980s will be the decade of "debt, deficits and default." I also believe that the "work-off" period is going to be long and arduous, lasting anywhere from five to ten years. The fact is that most of the world is slumping, deep in debt and worst of all—still running up deficits. Obviously, this can't go on. And it won't. In the meantime, the pain is starting to appear. It's appearing in the form of bankruptcies, unemployment, reduced standards of living and fear. I include two timely clips, one from today's AP dispatch, and the smaller type clip from the September 7 London Financial Times:

> **WASHINGTON (AP) — Jobless Americans filed more first-time claims for government benefits in the week preceding Labor Day than at any other time this year — a substantial leap which private economists say virtually assures double-digit unemployment this fall.**
>
> **About 658,000 people filed initial benefit claims in the week ending Sept. 4, a jump of 29,000 over the previous week, according to seasonally adjusted figures released by the Labor Department.**

IN MANY ways, 1982 is seeing the first genuine world recession since the 1930s. For, although the recession of 1974-75 affected world trade volume more seriously, its effect on general economic growth and investment was much more limited, hurting above all the industrialised countries. This time around, the spread is wider, and this can be largely put down to developments in the international capital markets.

For the industrialised countries, the post-war boom began to peter out in the late 1960s, not, as is commonly thought, as a result of the 1973-74 oil shock. The clearest guide to the underlying trend is the chart showing profit ratios, in which a serious decline is visible already in the late 1960s for many of the major economies.

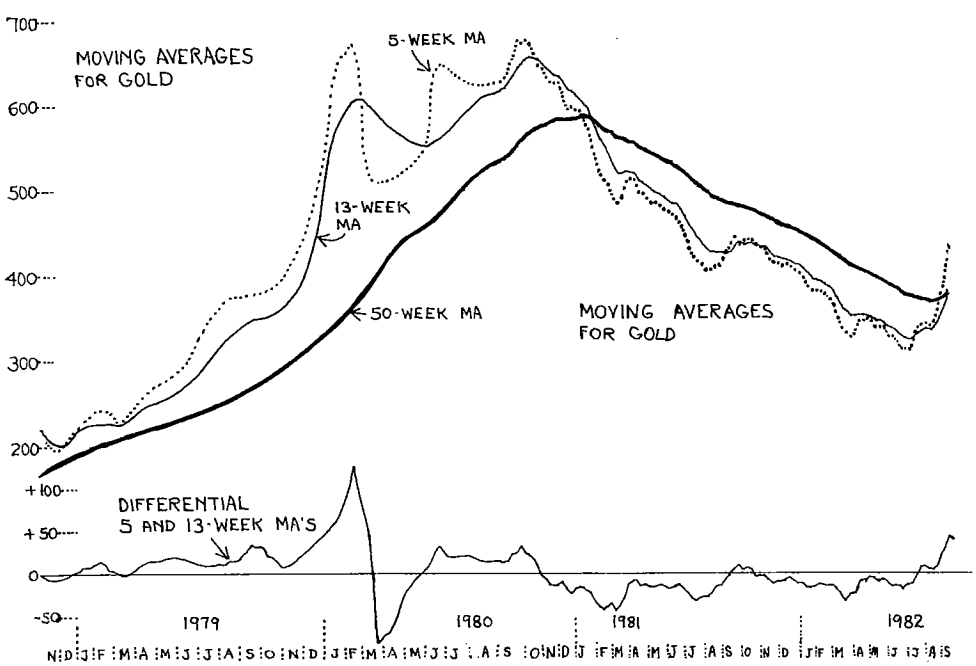
GOLD: If a major US bank goes under, the Fed can (and obviously will) come to the rescue. But for tens of billions of Eurodollars there is no lender of last resort. Moreover, for a long list of countries in financial trouble, countries like Argentina, Ghana, Zaire, Chile, Uganda, Turkey, Peru, Costa Rica, El Salvador, for these countries bankruptcy is just a touch away.

With so many trouble spots brewing, can the World Bank and the IMF and the BIS and the Fed hold it all together? The odds are against it, and those who own gold are paying the cost of insurance (the "cost" being the loss of income inherent in holding real money–gold). The plus in holding fiat (paper) money is that you are paid to hold it (that payment is known as interest). The plus in holding gold is that gold will ALWAYS be money–gold isn't a piece of paper that is deemed legal tender by some profligate government.

I like to go into the fundamental reasons for holding gold. But remember, these same fundamental reasons could have been put forth in 1980–when gold sold for a time over 800 dollars an ounce. So what's the answer? You have your choice: (1) you stay diversified, always holding a certain percentage of gold in your portfolio, or (2) you resort to timing, trying to buy gold low and perhaps selling gold high.

For the timers, I present a running review of gold's technical position in these Letters. Older readers know my reasons for recommending gold a few months ago when it was in the low 300s: the long-term rising trendline had held, the momentum had turned up, the gold-to-stock ratio turned bullish, the cyclical studies turned bullish.

OK, so what else has happened? Last week the moving averages study turned bullish. The 50-week moving average now stands at 382. Last week for the first time in five years the 13-week moving average rose above the 50-week moving average–thereby rendering a bull signal under this study.



What's next? Gold has moved up very far, very fast. In a matter of a few months gold rose roughly 60% in price. So we should hardly be surprised at the current gold correction. How far will the correction go? Obviously no one knows, but I am guessing gold will hold above 400. Actually, after this surge gold would normally go back and retest its 13-week moving average which will probably be around 390 next week. But I feel that every week that goes by with gold holding above 400 is a plus in the technical picture.

One of the current puzzles is the poor action of platinum as against gold's strong action. In my opinion, platinum is acting more like copper (more like an industrial metal) while gold acts like a store of value (as does silver). That, I believe, is the reason for the parting of the ways between gold and platinum.

LATE NOTES: Between August 13 and September 16 the breadth of the market (A-D ratio) was up 20 out of 24 trading sessions or 83% of the time. This is an incredible string, the reverse of the two incredible downward series that we witnesssed prior to the August 12 low. The market is now heavily overbought, and the best I would expect from here would be a further building of a top.

Last week's high for the Dow was 930.46 (Sept. 15) while the high for the Transports was 375.45 (Sept. 14). It would seem to me that one or both of those peaks should stand for some time to come. In the meantime, I want to gauge the kind of correction that we may get in the weeks ahead. It is the action following a correction which will ultimately tell us (from a Dow Theory standpoint) the true direction of the primary trend.

Meanwhile, the PTI, having pushed fractionally (2 points) above its 21-week moving Average, has turned down again. The pattern the PTI takes from here will also tell us a lot about the underlying trend of this market.

I stated (page 5) that we are heading for an extended "work off" period in the economy wherein the monstrous debts and deficits will have to be handled, reneged on, rescheduled or paid off (almost no chance of the last). During this period I expect the economy to languish, flounder, sputter and in general behave poorly.

By the same token the stock market could go into an extended trading range with a final low some years out. I will have some fascinating comments about this in a coming Letter.

FINAL NOTE: I'm beginning to wonder about the man we put in the White House. I'm really beginning to wonder . . . .

Special to The New York Times

WHITEHOUSE, N.J., Sept. 17 — President Reagan today questioned whether the Federal Reserve Board should be placed under the authority of the Secretary of the Treasury.

NEXT MAILING: October 6